

**Management Oversight Should be Strengthened
to Improve Administration Of the Treasury
Information Processing Support Services
(TIPSS) Contract**

Reference No. 090205 Date: November 6, 1998

**Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract**

Table of Contents

Executive Summary	Page i
Objective and Scope	1
Background	1
Results	2
A Significant Number Of Task Orders Were Issued Undefinitized.....	3
Improvements Are Needed In Planning For The Acquisition Of Contractor Services	5
Improvements Are Needed In Timely Descoping Contract Efforts	6
Funds Were Not Timely Deobligated On Completed Task Orders	8
Contractor Evaluations Were Not Timely Prepared	9
Detailed Scope and Objectives	Attachment I
Management's Response.....	Attachment II

Management Oversight Should be Strengthened to Improve Administration Of the Treasury Information Processing Support Services (TIPSS) Contract

Executive Summary

The Treasury Information Processing Support Services (TIPSS) contract consists of contracts to support the Internal Revenue Service's (IRS) tax system modernization efforts. While TIPSS is assisting the IRS in acquiring information technology services, there is minimum incentive for the contractor to control costs because TIPSS is a cost-plus-fixed-fee contract. Therefore, it is imperative that the contract is effectively administered to allow the Service to monitor and evaluate the contractor's progress. During our review, we found the Service needs to improve several aspects of the management and administration of the TIPSS contract.

The overall objective of our review was to follow up on concerns previously addressed in an Internal Audit memorandum regarding whether the Service is adequately administering the contract. Additionally, we reviewed whether controls were effective to ensure services were received in accordance with contract provisions.

Results

A significant number of task orders were issued undefinitized.

Sixty-two of 74 (84%) task orders reviewed were issued undefinitized. Undefinitized task orders are awarded without defining the contractor's cost. Although each undefinitized task order identified a definitization date of approximately 60 days after award, we found the average number of days lapsed between award and definitization was 134 days. We believe a task order awarded without defining the contractor's cost may lessen the contractor's motivation to perform as efficiently as possible.

Improvements are needed in planning for the acquisition of contractor services.

Improvements are needed in establishing the type of contract to use for task orders. We noted that term type task orders were issued for 48 of the 74 task orders we reviewed. On cost reimbursement contracts, either term or completion type contracts are available. The level of detail associated with the statement of work prepared by the program area is critical in deciding whether to use term or completion type contracts.

Under a completion order, the Service buys the contractor's effort to complete a specific job and if additional hours/costs are needed, the contractor is allowed only the costs for those hours, not the additional fee. While for term type orders if additional hours are needed to complete the task, the costs for those hours plus additional fee is paid. Our analysis of the 48 term task orders indicated 12 had modifications requesting additional hours increasing the fixed fee paid by approximately \$706,000.

Management Oversight Should be Strengthened to Improve Administration Of the Treasury Information Processing Support Services (TIPSS) Contract

Improvements are needed in timely descoping contract efforts.

Contractors were invoicing the Service for significantly fewer hours than were originally contracted. We determined in eight of 24 completed term type task orders, the contractors invoiced the Service over 1,000 hours less than was originally contracted. In five of the eight instances, the contractors invoiced over 10,000 hours less than was actually contracted. We estimated approximately \$490,000 in fixed fee associated with these excess costs because the fixed fee is based on the hours and estimated costs originally contracted.

Under a term effort, there is an opportunity to renegotiate (descop) the effort when it appears the full number of hours will not be needed. Our analysis showed improvements are needed in timely descoping the efforts to recover fixed fee. The action allows the Service to recover not only the excess monies that were obligated, but also the allowance for fee recovery.

Funds were not timely deobligated on completed task orders.

According to the management information system developed to track payments to TIPSS contractors, approximately \$3,517,000 has not been deobligated on completed task orders. Twenty-eight of 53 completed task orders had been completed for over one year and the funds still remained obligated. While we recognize that some monies must remain obligated on the task orders to facilitate final closeout negotiations, we believe additional emphasis is needed to timely deobligate excess funds. In the current budget environment, prompt deobligation of funds is needed to maximize limited resources. Also, not promptly deobligating funds can create the potential for misuse of funds.

Contractor evaluations were not timely prepared.

Lead Contracting Officer Technical Representatives (COTRs) are not timely preparing evaluations on contractors' performance. Our analysis showed 41 of 102 evaluations were not timely prepared. These evaluations are critical in ensuring the success of the Contractor Performance Assessment Program (CPAP). The CPAP system establishes a direct relationship between contractor's performance record and future business opportunities. In order to establish the performance record of contractors, the lead COTRs, task COTRs, and the Contract Administrators must evaluate the contractors on a quarterly basis. We believe the constant turnover and inexperience of the lead COTR may contribute to the untimely receipt of contractor evaluations.

Summary Recommendations

The following summarizes the specific recommendations contained in this report:

Management Oversight Should be Strengthened to Improve Administration Of the Treasury Information Processing Support Services (TIPSS) Contract

- Undefined task orders should be issued only when absolutely necessary. The Program Office should support the issuance of undefined task orders with a statement of finding. However, in those instances where an undefined task order is issued, Procurement should ensure that the task is timely defined.
- The Program Office should ensure that needs and requirements are defined as specifically as possible and move towards completion type task orders rather than term type task orders.
- Procurement should take appropriate actions to timely descope contract efforts when it appears that the full level of hours will not be needed.
- Negotiations should be conducted for the recovery of fixed fee on the eight completed task orders we identified.
- Periodic reviews should be performed to ensure that funds are timely deobligated on completed task orders.
- Management should reemphasize the importance of timely evaluating contractor performance. Periodic reviews of CPAP should be conducted to ensure timely evaluations.

The following summarizes Management's Responses:

- All over-age undefined TIPSS orders were defined by June 30, 1998, and the four remaining will be defined within 120 days of their issuance. Additionally, an Exception Memorandum which satisfies the "statement of finding" is already required of the customer's management through the Program Office.
- The Program Office will implement a process to help customers define their goals and anticipate new requirements that will result in specific end products.
- A management information system will be developed and implemented by TIPSS contract administration staff which will include task order burn rate information to facilitate timely descope of unused contract effort. Additionally, a reporting modification was made to the TIPSS contracts during 1997 which will require the contractors to provide performance measurement data, including number of labor hours planned and expended, in their Task Order Status Report.
- Procurement will review the eight orders identified and will initiate negotiations to recover fixed fees as appropriate.
- The management information system to be developed will also include information on funds remaining on completed task orders to facilitate timely deobligation of unused contract funding.

**Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract**

- The Program Office is in the process of establishing procedures by which management officials within the customer organizations will be notified whenever a CPAP evaluation is late.

Management Oversight Should be Strengthened to Improve Administration Of the Treasury Information Processing Support Services (TIPSS) Contract

Objective and Scope

The overall objective was to follow up on concerns previously addressed in an Internal Audit memorandum regarding whether the Service is adequately administering the TIPSS contract.

The overall objective of this review was to follow up on concerns previously addressed in an Internal Audit memorandum regarding whether the Service is adequately administering the contract. This memorandum identified concerns with undefinitized task orders being awarded and suggested monitoring task orders to prevent incurring additional vendor fees.

Also, we reviewed whether controls are effective to ensure services are received in accordance with contract provisions. Audit work was performed during the period of October 1997 through April 1998, in the National Office. The review was conducted in accordance with generally accepted government auditing standards. The detailed objectives and scope of review are presented in Attachment I.

Background

The Treasury Information Processing Support Services (TIPSS) contract consists of multiple Indefinite Delivery Indefinite Quantity (ID/IQ) contracts that were awarded to 14 contractors. Two contracts were awarded in September 1994 to small business concerns and the remaining 12 contracts were awarded in June 1995. The contracts allow the government to acquire an indefinite quantity, within stated limits, of services during a fixed period, with performance to be scheduled by placing task orders with the contractor.

The TIPSS contract was designed to provide the Internal Revenue Service (IRS) and other Treasury bureaus with support in the following areas: information engineering services, telecommunications and security services, technical financial services, federal information processing acquisition services, socio-technical services, and imaging services. This support includes systems design assistance and the planning and integration of

Management Oversight Should be Strengthened to Improve Administration Of the Treasury Information Processing Support Services (TIPSS) Contract

human factors and organization impacts. The overall administration of the contract resides with the IRS, and the IRS is the primary agency using the contract.

The contract life of TIPSS is five years including all option periods. The maximum value of the contract is estimated to be \$2.5 billion. Twelve contracts set the maximum allowable dollar amount to be ordered at \$200 million, and the other two contracts set the limit at \$50 million. The small business awards will expire September 1999, and all others will expire June 2000. Planning is underway for a replacement contract. However, current contracts will overlap new awards ensuring continuous support.

Results

When used properly, multiple award ID/IQ contracts like TIPSS, can allow the government to leverage its buying power, and at the same time, achieve efficiencies in the procurement process and best value for taxpayers.

As the IRS's modernization program has evolved over the years, contracting vehicles such as TIPSS have been used to acquire the necessary services to assist in the automation process. When used properly, multiple award ID/IQ contracts like TIPSS, can allow the government to leverage its buying power and, at the same time, achieve efficiencies in the procurement process and best value for taxpayers.

During our review, we found that several aspects of the management and administration of the TIPSS contract needs to be improved.

While TIPSS has assisted the IRS in acquiring information technology services, there is a minimum incentive for the contractor to control costs because TIPSS is a cost-plus-fixed-fee contract. Therefore, it is imperative that the contract is effectively administered to allow the Service to monitor and evaluate the contractors' progress. During our review, we found that the Service needs to improve several aspects of the management and administration of the TIPSS contract. Specifically, we noted:

- A significant number of task orders were issued undefinitized.

Management Oversight Should be Strengthened to Improve Administration Of the Treasury Information Processing Support Services (TIPSS) Contract

- Improvements are needed in planning for the acquisition of contractor services.
- Improvements are needed in timely descoping contract efforts.
- Funds were not timely deobligated on completed task orders.
- Contracting evaluations were not timely prepared.

A significant number of task orders were issued undefinitized.

84% of the task orders in our sample were issued undefinitized.

Sixty-two of 74 (84%) task orders in our sample were issued undefinitized. We reviewed all task orders, except bureau tasks, for the following five TIPSS contractors: Dyncorp, Science Applications International Corporation (SAIC), Systems Research and Application International (SRA), Management Systems Designers (MSD), and Computer Sciences Corporation (CSC). Although Internal Audit previously reported on the large number of undefinitized task orders in an August 1996 memorandum, management has not taken adequate corrective action.

Undefinitized task orders are awarded without defining the contractor's cost. This technique provides the Contracting Officer the flexibility to issue task orders very quickly, but may lessen the contractor's motivation to perform as efficiently as possible. Furthermore, undefinitized task orders place the Service in a difficult negotiating position and are not always in the best interest of the government because contractors are reimbursed for all costs incurred. Therefore, it is imperative that undefinitized task orders be timely definitized.

Management Oversight Should be Strengthened to Improve Administration Of the Treasury Information Processing Support Services (TIPSS) Contract

Task orders were not timely definitized.

Each undefinitized task order in our review identified a target definitization date of approximately 60 days after the undefinitized task was awarded. Also, contract administration guidelines stipulate that task orders should be definitized within 120 days. However, we found the average number of days lapsed between the award date and date the contract was definitized was 134 days.

A Procurement official advised us that task orders may be issued undefinitized at the end of the fiscal year when funds would expire or if a time sensitive project would be delayed if the procurement was not conducted. While there may be compelling reasons to issue a task undefinitized, we believe the issuance of undefinitized tasks should be the exception versus the norm. Better planning of requirements should help reduce the need for issuing undefinitized tasks and exposing the Service to incurring additional costs.

Recommendation:

1. Undefinitized task orders should be issued only when absolutely necessary. The Program Office should support the issuance of undefinitized task orders with a statement of finding. However, in those instances where an undefinitized task order is issued, Procurement should ensure that the task order is timely definitized.

Management's Response: All over-age undefinitized TIPSS orders were definitized by June 30, 1998, and the four remaining undefinitized orders will be definitized within 120 days of their issuance as required by Procurement's Contract Administration Guidelines. Procurement will ensure that any future undefinitized orders are timely definitized. Additionally, an Exception Memorandum which satisfies the "statement of finding" is already required of the customer's management through the Program Office.

Management Oversight Should be Strengthened to Improve Administration Of the Treasury Information Processing Support Services (TIPSS) Contract

Improvements are needed in planning for the acquisition of contractor services.

Term type task orders were used in 48 of 74 (65%) instances.

Improvements are needed in establishing the type of contract to use for task orders. We noted that term type task orders were issued for 48 of the 74 (65%) task orders we reviewed.

On cost reimbursable contracts, either term or completion type contracts are available for describing the scope of work. Completion type describes the scope of work by stating a definite goal or target and specifying an end product. In contrast, term contracts describe the scope of work in general terms.

The contractor has less incentive to use resources efficiently under term type task orders.

We were advised that under a completion order, the Service buys the contractor's effort to complete a specific job. While for term type orders, the Service is buying hours. If the contractor requires additional hours/costs to complete a job under a completion type task order, the contractor is allowed only its cost and no additional fee. However, if the Service needs to buy additional hours under a term type order, then cost and fee is paid for those additional hours. As a result, the contractor has less incentive to use resources efficiently under term type task orders.

Our analysis of the 48 term task orders indicated 12 had modifications requesting additional hours. As a result, the Service incurred additional fixed fee of approximately \$706,000 for 11 of these term type task orders. In one instance, we could not determine the portion of fixed fee added because it was included with other modifications to the task order.

The level of detail associated with the statement of work prepared by the program area is critical in deciding whether to use term or completion type contracts. The Federal Acquisition Regulations provide that completion type contracts should be used whenever possible. Also, Procurement recently issued a Position Paper stressing that Program Offices use completion type contracts. We

Management Oversight Should be Strengthened to Improve Administration Of the Treasury Information Processing Support Services (TIPSS) Contract

believe Procurement would be in a better negotiating position on completion type contracts, because requirements are better defined.

Recommendation:

2. The Program Office should ensure that needs and requirements are defined as specifically as possible and move towards completion type task orders rather than term type task orders.

Management's Response: The Program Office will implement a process to help customers define their goals and anticipate new requirements that will result in specific end products.

Improvements are needed in timely descoping contract efforts.

Approximately \$490,000 of fixed fee is associated to task orders in which the Service contracted for more hours than was needed.

During our review, we noted contractors were invoicing the Service for significantly fewer hours than were originally contracted. We determined in eight of the 24 completed task orders we reviewed, the contractors invoiced the Service over 1,000 hours less than was originally contracted. In five of the eight term type task orders, the contractors invoiced over 10,000 hours less than was actually contracted. We estimated approximately \$490,000 in fixed fee was associated with these excess hours.

A Procurement official advised us that the fixed fee was based on the hours and estimated cost originally contracted. The fee can only be adjusted if the scope of work is changed. If the scope of work did not change, the invoicing of fewer hours than was originally contracted would be considered a cost under-run and would not require the fixed fee to be adjusted. However, under a term effort, there is an opportunity to descope the effort when it appears the full number of hours will

Management Oversight Should be Strengthened to Improve Administration Of the Treasury Information Processing Support Services (TIPSS) Contract

Improvements are needed in timely descoping the efforts to recover fixed fee.

not be needed.

Although Contracting Officers indicated they monitored the rate at which the contractor is completing and invoicing for the task (“burn” rate), our analysis showed improvements are needed in timely descoping the efforts to recover fixed fee. We found no documentation in the contract files to indicate that the Contracting Officers attempted to negotiate for fewer hours.

We were advised that descoping of the efforts could be done at any time between the conclusion of performance and task order closeout. Ideally, the descoping should occur as soon as possible when it appears that the full number of hours will not be needed. The action of descoping allows the Service to recover not only the excess cost monies that were obligated, but also allows for fee recovery.

Recommendations:

3. Procurement should take appropriate actions to timely descop contract efforts when it appears that the full level of hours will not be needed.

Management’s Response: A management information system will be developed and implemented by the TIPSS contract administration staff that will include information on task order burn rates to facilitate the timely descoping of unused contract effort. Additionally, a reporting modification was made to the TIPSS contracts during 1997. One of the reports required by the contractor (Task Order Status Report) will provide the Government with performance measurement data, including the number of labor hours planned and the number of labor hours expended.

4. Negotiations should be conducted for the recovery of fixed fee on the eight completed task orders we identified.

Management Oversight Should be Strengthened to Improve Administration Of the Treasury Information Processing Support Services (TIPSS) Contract

Management's Response: Procurement will review the eight orders identified and will initiate negotiations to recover fixed fees as appropriate.

Funds were not timely deobligated on completed task orders.

Approximately \$3,517,000 has not been deobligated on completed task orders.

According to the Contractor Management System (COMANS), a management system developed to track payments to the TIPSS contractors, approximately \$3,517,000 has not been deobligated on 53 completed task orders. At the time of our review, 28 of these 53 task orders had been completed for over one year.

Procurement recognized that improvements are needed in timely deobligating funds on completed task orders. During our review, we were advised that Procurement is planning to have a Contracting Officer review the completed task orders and determine how much money needs to be deobligated.

At the completion of a task order, it is important to deobligate funds as soon as possible. While we recognize that some monies must remain obligated on the task orders to facilitate final closeout negotiations, we believe additional emphasis is needed to timely deobligate excess funds. In the current budget environment, prompt deobligation of funds is needed to maximize limited resources. When funds are timely deobligated, the Service can make use of these funds for other activities. Not deobligating funds promptly also creates the potential for misuse of funds.

Recommendation:

5. Periodic reviews should be performed to ensure that funds are being timely deobligated on completed task orders.

Management Oversight Should be Strengthened to Improve Administration Of the Treasury Information Processing Support Services (TIPSS) Contract

Management's Response: The management information system to be developed, referenced in the corrective action for recommendation no. 3, will also include information on funds remaining on completed task orders. This information will be used to facilitate timely deobligation of unused contract funding as appropriate.

Contractor evaluations were not timely prepared.

Procurement is not receiving contractor evaluations from COTRs in a timely manner.

Lead Contracting Officer Technical Representatives (COTRs) are not timely preparing evaluations on contractor performance. In 41 of 102 instances, the evaluations were not timely prepared. These evaluations are critical in ensuring the success of the Contractor Performance Assessment Program (CPAP).

The CPAP system establishes a direct relationship between contractors' performance record and future business opportunities. The objectives of CPAP are to direct work to vendors providing high quality services and discourage the placement of work with vendors whose services are of lower quality.

In order to establish the performance record of contractors, the lead COTRs, task COTRs and the Contract Administrators evaluate the contractor on a quarterly basis. The evaluations are due 30 days following the end of the rating period. These evaluation scores are used in CPAP for awarding task orders. A vendor must maintain a score of fair or higher to be considered for the task award.

The Office of Federal Procurement Policy Best Practices for Multiple Award Task and Delivery Order Contracting mentioned how past performance can be used as an initial screen to determine which awardees will receive further consideration for a task order. The best practice guide also mentioned how the IRS uses CPAP in selecting awardees to perform under TIPSS contracts.

Management Oversight Should be Strengthened to Improve Administration Of the Treasury Information Processing Support Services (TIPSS) Contract

In an effort to improve the process, Procurement issued a Position Paper in September 1997, concerning the timeliness of the evaluations.

While Procurement believes CPAP is working well, the success of the system is dependent on contractor evaluations being entered timely.

In an effort to improve the process, Procurement issued a Position Paper in September 1997, concerning the timeliness of the evaluations. Our analysis indicated that initially, the timeliness of evaluations did improve after the issuance of the Position Paper. However, our review of the last quarter indicated the lead COTRs have regressed and are not timely submitting evaluations.

We believe the constant turnover and inexperience of the lead COTRs may contribute to the untimely receipt of contractor evaluations. We noted that most lead COTRs were assigned the responsibilities during the first quarter of Fiscal Year 1998. In one instance, the lead COTR was detailed to the position without any prior experience. The COTRs must take the initiative in ensuring contractor evaluations are timely prepared to allow the CPAP system to be properly updated.

Recommendation:

6. Management should reemphasize the importance of timely evaluating contractor performance. Periodic reviews of CPAP should be conducted to ensure evaluations are timely received.

**Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract**

Management's Response: The Program Office is in the process of establishing procedures by which management officials within the customer organizations will be notified whenever a CPAP evaluation is late.



Nancy LaManna
Audit Manager

Internal Audit Team:

Calvin Thomas, Senior Auditor
Terrey Haley, Internal Auditor
Dawn Smith, Internal Auditor

Management Oversight Should be Strengthened to Improve Administration Of the Treasury Information Processing Support Services (TIPSS) Contract

Attachment I

Detailed Scope and Objectives

The overall objective of this review was to follow up on concerns addressed in a prior Internal Audit memorandum regarding whether the Service adequately administered the contract. Additionally, we determined whether controls were effective to ensure services were received in accordance with contract provisions.

- I. Determined whether the issues identified in the prior Internal Audit memorandum impacted the administration of the contract.
 - A. Determined the effectiveness of the Contractor Performance Assessment Program (CPAP).
 1. Interviewed Contract Administration personnel on how the baseline was established and the progress of the CPAP.
 2. Determined the method used to award task orders among the contractors. Reviewed a performance baseline and sample of assignments made using CPAP.
 3. Determined whether debarment or contract termination was considered in cases of poor contract performance.
 - B. Reviewed 74 task orders to determine if any were issued undefinitized and the reasons for not definitizing the task.
 - C. Ensured contract/delivery order/task order modifications are appropriate.
 1. Determined if items had been acquired outside the original scope of the contract.
 2. Determined if contract changes were adequately justified.
Evaluated:
 - a) Any changes in scope;
 - b) Why the contractor could not provide original good/service;
 - c) Whether all significant cost increases was accompanied by changes in goods/services;
 - d) Why the contractor could not provide goods/services on schedule; and,
 - e) Why key contractor personnel were reassigned.

**Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract**

3. Determined if cost associated with modifications were reasonable.
 - a) Determined reason for cost increases.
 - b) Determined whether cost increase for product/service was properly justified.
 - (1) Determined if cost increased for inflation over the life of the contract.
 - (2) Determined if management acquired better/enhanced products/services without cost/benefit analysis.
- II. Assessed the effectiveness of internal controls in place for controlling the initiation, planning, approval, acceptance and payment for the work done under the task orders assigned to the various vendors.
 - A. Determined if the Statement of Work (SOW) is clear and understandable
 1. Reviewed the following criteria to determine if SOW is clear and understandable:
 - a) List of deliverables;
 - b) Scheduled due date for deliverables;
 - c) List of where and who to send deliverables;
 - d) Criteria for accept/reject decision;
 - e) Procedures for rejection/revised deliverable;
 - f) Contractor assistance in writing the SOW; and,
 - g) Award of contract and involvement of contractor or subcontractor in writing the SOW.
 - B. Determined whether contractor reports are submitted to both Contracting Officers and Contracting Officers Technical Representations simultaneously in a reasonable time frame.
 - C. Reviewed a sample of delivery/task orders to determine whether the type (completion, term, fixed fee) and billings were appropriate.
 1. Interviewed procurement and project management personnel to determine how the CO determined cost reasonableness and the type (completion, term, and fixed fee) used.
 2. Ensured billings were appropriate.

**Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract**

- a) Determined if the hours worked by individual employees were reasonable.
 - b) Determined the reasons for significant variances between the estimated hours per delivery/task order and the hours invoiced by interviewed procurement, project office, and contractor personnel.
 - c) Ensured that rates/costs specified in the contract agreed with rates/costs invoiced.
 - d) Ensured that no duplicate payments were made.
- D. Determined whether the contract was properly administered.
- 1. Ensured the subcontractors were not debarred nor had a financial/personal relationship with Service employees involved in procurement.
 - 2. Ensured the cost of delivery orders was adequately monitored.
 - 3. Ensured that contractor complied with all applicable contract terms. Determined whether:
 - a) Contractor meet deliverable due dates;
 - b) Deliverables were acceptable;
 - c) Deliverables require re-work or increased cost; and,
 - d) Items/goods were substituted in contract. If so, were appropriate actions taken by CO.
 - 4. Determined if CO received feedback from COTR/end user.
 - 5. Ensured that Government Furnished Equipment (GFE) is:
 - a) Used for Official Use Only;
 - b) Properly inventoried; and,
 - c) Not provided when the contractor is paid to supply the equipment/materials/personnel.
 - 6. Determined if contract files:
 - a) Were legible and logically organized;
 - b) Had issue resolutions documented;
 - c) Were comprehensive;

**Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract**

- d) Had final versions of documents identified; and,
Include:
 - (1) Invoices and payment schedule;
 - (2) List of deliverables for each delivery order/task order;
 - (3) Sequentially numbered modifications for contract/delivery orders/task orders;
 - (4) Sequentially numbered delivery orders/task orders; and,
 - (5) List of COs assigned.

Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract

Attachment II



ASSISTANT COMMISSIONER
(PROCUREMENT)

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

SEP 28 1998

MEMORANDUM FOR BILLY MORRISON
ASSISTANT CHIEF INSPECTOR (INTERNAL AUDIT)

FROM: Gregory D. Rothwell *Gregory D. Rothwell*
Assistant Commissioner (Procurement)

SUBJECT: Draft Internal Audit Report: Review of the Treasury Information
Processing Support Services (TIPSS) Contracts

We have proposed corrective actions, beginning on page 2 of this memorandum, in response to the recommendations in the above report. Attached is a memorandum from the Deputy Chief Information Officer for Information Resources Management with corrective actions in response to those recommendation for which her organization is responsible for completion.

Please call me at 622-8480 if you have any questions. Your staff may contact Tom Harner at 622-8867 for additional information.

Attachment

Approved:

David A. Mader

David A. Mader
Chief Management and Administration

9/26/98

Date

Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract

2

Recommendation No. 1:

Undefinitized task orders should be issued only when absolutely necessary.

- B. [However,] In those instances where an undefinitized task order is issued, Procurement should ensure that the task order is timely definitized.

Assessment of Cause:

A significant number of undefinitized task orders were not timely definitized.

Corrective Action:

- B. All over-age undefinitized TIPSS orders were definitized by June 30, 1998, and the four remaining undefinitized orders will be definitized within 120 days of their issuance as required by Procurement's Contract Administration Guidelines. Procurement will ensure that any future undefinitized orders are timely definitized.

Implementation Date:

- B. Completed: June 30, 1998.

Responsible Official:

- B. Assistant Commissioner (Procurement).

Recommendation No. 3:

Procurement should take appropriate actions to timely descope contract efforts when it appears that the full level of hours will not be needed.

Assessment of Cause:

Improvements are needed in timely descopeing contract efforts.

Corrective Action:

A management information system will be developed and implemented by the TIPSS contract administration staff that will include information on task order burn rates to facilitate the timely descopeing of unused contract effort.

Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract

3

Implementation Date:

Proposed: February 1, 1999.

Responsible Official:

Assistant Commissioner (Procurement).

Recommendation No. 4:

Negotiations should be conducted for the recovery of fixed fee on the eight completed task orders we [Internal Audit] identified.

Assessment of Cause:

Improvements are needed in timely descoping contract efforts.

Corrective Action:

Procurement will review the eight orders identified and will initiate negotiations to recover fixed fees as appropriate.

Implementation Date:

Proposed: February 1, 1999.

Responsible Official:

Assistant Commissioner (Procurement).

Recommendation No. 5:

Periodic reviews should be performed to ensure that funds are being timely deobligated on completed task orders.

Assessment of Cause:

Funds were not timely deobligated on completed task orders.

Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract

4

Corrective Action:

The management information system to be developed, referenced in the corrective action for recommendation no. 3, will also include information on funds remaining on completed task orders. This information will be used to facilitate timely deobligation of unused contract funding as appropriate.

Implementation Date:

Proposed: February 1, 1999.

Responsible Official:

Assistant Commissioner (Procurement).

Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract



CHIEF INFORMATION OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

SEP 11 1998

MEMORANDUM FOR ASSISTANT COMMISSIONER (PROCUREMENT)

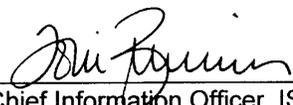
FROM: Toni L. Zimmerman 
Deputy Chief Information Officer for
Information Resources Management IS:I

SUBJECT: Management Response to Draft Internal Audit Report -
Review of Treasury Information Processing Support Services
(TIPSS) Contract, July 23, 1998

The Acquisition Management and Support (AMS) Division in Information Systems has reviewed the draft report referenced above. Based on discussions between the AMS Division and your staff, we are providing the attached management response (Attachment One). In addition, we are providing comments on Recommendations three and five (Attachment Two).

If you have any questions, please feel free to call me on (202) 622-0260, or have a member of your staff call Donna Downing, Chief, Audit, Assessment and Control Section, on (202) 283-4159.

Attachments

CONCUR: 
Chief Information Officer IS

9/14/98
Date

Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract

-2-

RECOMMENDATION #2

The Program Office should ensure that needs and requirements are defined as specifically as possible and move towards completion type task orders rather than term task orders.

ASSESSMENT OF CAUSE

Completion type task orders require a targeted and specified end product, often times, there are too many unknowns to be able to award a successful completion task order.

CORRECTIVE ACTION

The Program Office will implement a process to help customers define their goals and anticipate new requirements that will result in specific end products.

IMPLEMENTATION DATE

Completed _____

Proposed March 1, 1999

Help customers define their goals and anticipate new requirements.

RESPONSIBLE OFFICIAL

Chief Information Officer IS

Deputy Chief Information Officer for Information Resources Management IS:I

Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract

-3-

RECOMMENDATION #6

Management should reemphasize the importance of timely evaluating contractor performance. Periodic reviews of CPAP should be conducted to ensure timely evaluations are timely received.

ASSESSMENT OF CAUSE

There is no established routine for referral to management officials within customer organizations when CPAP evaluations are not timely received.

CORRECTIVE ACTION

The Program Office is in the process of establishing procedures by which management officials within the customer organizations will be notified whenever a CPAP evaluation is late.

IMPLEMENTATION DATE

Completed _____

Proposed December 1, 1998

Establish procedures to notify
customers of late CPAP evaluations.

RESPONSIBLE OFFICIAL

Chief Information Officer IS

Deputy Chief Information Officer for Information Resources Management IS:I

Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract

Attachment One

**Management Response to Draft Internal Audit Report - Review of Treasury
Information Processing Support Service (TIPSS) Contract,
Dated July 23, 1998**

RECOMMENDATION 1-A

Unfinalized task orders should be issued only when absolutely necessary. The Program Office should support the issuance of unfinalized task orders with a statement of finding.

ASSESSMENT OF CAUSE

Unfinalized task orders are requested by the customer whenever they have not given the Program Office and Procurement the time necessary to finalize their task. Often, the users have had the support that they were receiving withdrawn without adequate notification. At other times, they have been directed to start contractors working on a project earlier than possible using the normal TIPSS processing procedures.

CORRECTIVE ACTION

An Exception Memorandum which satisfies the "statement of finding" is already required of the customer's management through the Program Office.

IMPLEMENTATION DATE

Completed **August 1997** Proposed _____
Customers' management is required to submit
an Exception Memorandum.

RESPONSIBLE OFFICIAL

Chief Information Officer IS
Deputy Chief Information Officer for Information Resources Management IS:I

Management Oversight Should be Strengthened to Improve Administration
Of the Treasury Information Processing Support Services (TIPSS) Contract

Attachment Two

**Comments to Draft Internal Audit Report - Review of Treasury Information
Processing Support Services (TIPSS) Contract,
Dated July 23, 1998**

RECOMMENDATION NO. 3

Procurement should take appropriate actions to timely descope contract efforts when it appears that the full level of hours will not be needed.

COMMENTS

A reporting modification was made to the TIPSS contracts during 1997. One of the reports (Task Order Status Report) required from the contractors will provide the Government with performance measurement data, including the number of labor hours planned and the number of labor hours expended.

RECOMMENDATION NO. 5

Periodic reviews should be performed to ensure that funds are timely deobligated on completed task orders.

COMMENTS

Same as Recommendation 3.